

Board of Accountancy

WASHINGTON STATE



REGULAR BOARD MEETING AGENDA

Date, Time: Friday, January 31, 2014 – Regular Board Meeting – 9:00 a.m.

Location: The Doubletree Hotel Seattle Airport - Cascade 13 Room
18740 International Boulevard, SeaTac, Washington
(206) 246-8600

Notices: None

Chair Introductions

Attachments at tab:

REGULAR MEETING AGENDA

1. Minutes – October 17, 2013, Annual Board Meeting.....A
2. Board deliberation on a change to WAC 4-30-130 and a new rule for military personnel suggested by the Executive Director
 - a. AMEND WAC 4-30-130 What are the quality assurance review (QAR) requirements..... B for licensed CPA firms?
 - b. Establish NEW Rule regarding military personnel and spouses.C
3. Board Nomination or Support for Nominees already nominated for election to NASBA Vice-Chair for the year 2014-2015.....D
4. Board Response to Firm Mobility Proposal and UAA Exposure Draft.....E
5. NASBA Update
6. Legal Counsel's Report
7. Chair's Report
8. Committee/Task Force Reports
 - a. Executive – Emily Rollins, CPA, Chair - *Verbal Report*
 - b. Compliance Assurance Oversight – Edwin Jolicoeur, CPA, Chair – *Verbal Report*
 - c. Legislative Review – Don Aubrey, CPA, Chair – *No report*
 - d. Quality Assurance – Thomas Neill, CPA, Chair - *Verbal Report*..... F
 - e. Request Review – Karen Saunders, CPA, Chair – *Verbal Report*G

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- f. State Ethics Compliance – Lauren Jassny, Ethics Advisor – *No Report*
- g. Qualifications – Thomas Neill, CPA, Chair – *No Report*
- h. Executive Director Evaluation and Succession Task Force - Robert Hutchins, Chair – *Verbal Report*
- 9. Executive Director's Report
 - a. Budget
 - b. Public Records - *Management Strategies*
 - c. Annual Report to the Governor
 - d. Developments in Education
 - e. Student Apprenticeships
- 10. Director of Investigation's Report.....H
- 11. Executive and/or Closed Sessions with Legal Counsel
- 12. Public Input - To ensure the public has an opportunity to address its concerns and the Board has an opportunity to ask questions of the public. Individual speakers will be provided 10 minutes each.

WASHINGTON STATE BOARD OF ACCOUNTANCY

Minutes of an Annual Meeting of the Board

Time and Place of Meeting	9:00 a.m. - 12:57 p.m. Thursday, October 17, 2013 The Doubletree Hotel Seattle Airport Cascade 11 18740 International Boulevard SeaTac, Washington
Attendance	Emily Rollins, CPA, Chair, Board Member Karen R. Saunders, CPA, Vice Chair, Board Member Elizabeth D. Masnari, CPA, Secretary, Board Member Donald F. Aubrey, CPA, Board Member Robert G. Hutchins, Public Board Member (Departed 11:35am) Lauren C. Jassny, Public Board Member Thomas G. Neill, CPA, Board Member Gerald F. Ryles, Public Board Member (Arrived 9:03am) Bruce L. Turcott, Assistant Attorney General, Board Adviser (Departed 11:35am) Richard C. Sweeney, CPA, Executive Director Jennifer Sciba, Deputy Director Charles E. Satterlund, CPA, Director of Investigations Taylor Shahon, Special Assistant to the Director of Investigations Tia Landry, Enforcement Administrator Kirsten Donovan, Board Clerk
Public Rule-Making Hearing	<p>The Board held a public rule-making hearing from 9:01 a.m. to 9:07 a.m.. The Board Chair presided. The Board proposed to amend:</p> <ul style="list-style-type: none">• WAC 4-30-070 - What are the experience requirements in order to obtain a CPA license?• WAC 4-30-080 - How do I apply for an initial individual CPA license? <p>The Executive Director presented a brief statement.</p> <p>The Board received written comments from one individual prior to the hearing. The comment addressed the proposed changes to WAC 4-30-070 and WAC 4-30-080.</p>
Call to Order	Board Chair, Emily Rollins, called the annual meeting of the Board to order at 9:07 a.m.

Minutes, October 17, 2013, Annual Board Meeting

Rules Review

WAC 4-30-070 What are the experience requirements in order to obtain a CPA license? The Board voted unanimously to adopt the rule proposal. The Board voted for an implementation date of January 1, 2014.

WAC 4-30-080 How do I apply for an initial individual CPA license? The Board voted unanimously to adopt the rule proposal. The Board voted for an implementation date of January 1, 2014.

The Board expressed concern if January 1, 2014 implementation date provided sufficient time for preparation of the exam. The Executive Director assured the Board that the exam is mostly complete and the January 1, 2014 provides sufficient time for implementation.

The Board recommends a bold statement on the website indicating the changes.

**Minutes – July 22,
2013 Regular Board
Meeting**

The Board approved the minutes of the July 22, 2013, regular Board meeting with one spelling correction.

Board Policies

Reconsideration of 2003-1 Safe Harbor Report Language for Use by Non-CPAs. The Board discussed the use of safe harbor language. The Executive Director recommended removal of the parenthetical statements.

The Board heard oral testimony on Board Policy 2003-1 proposing changes in safe harbor language from the following participants:

- Gene Bell, Washington Association of Accountants (WAA)
- Gary Smith, Independent Business Association
- Rich Jones, CPA, President and CEO, Washington Society of CPAs (WSCPA)

The participants also suggested the removal of the statement, "Substantially all of the disclosures and the statement of cash flows have been omitted from these statements." The Executive Director agreed that this should be removed in addition to the parenthetical statements.

The Board voted unanimously to revise Board Policy 2003-1, Safe Harbor Report Language for Use by Non-CPAs, to exclude the parenthetical statements and the statement, "Substantially all of the disclosures and the statement of cash flows have been omitted from these statements."

Chair's Report

Election of 2014 Officers – The Chair presented the following slate of officers to serve during 2014:

- Chair – Emily R. Rollins, CPA
- Vice Chair – Karen R. Saunders, CPA
- Secretary – Elizabeth D. Masnari, CPA

No other nominations were made. The Board cast a unanimous vote for the slate of officers presented.

2014 Board Meeting Schedule – The Board established the following schedule for the 2014 Board meetings:

- January 31, 2014 – SeaTac Area
- April 17, 2014 – SeaTac Area
- July 24, 2014 – SeaTac Area
- October 24, 2014 – SeaTac Area

Establish Qualifications Committee – The Board established the Qualifications Committee with the purpose of discussing education topics. Board suggested topics for the committee included: false transcripts, community colleges providing 4-year degree programs, and course substance for the final 30 credit requirement.

Committee Appointments for 2014 – The Board made the following committee appointments for 2014:

- Qualifications Committee:

Chair:

Thomas G. Neill, CPA

Members:

Elizabeth D. Masnari, CPA

- Compliance Assurance Oversight Committee

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Chair:

Edwin G. Jolicoeur, CPA

Members:

Nina Gerbic, CPA

Deidra Roberts, CPA

- Legislative Review Committee

Chair:

Donald F. Aubrey, CPA

Members:

Karen R. Saunders, CPA

- Quality Assurance Committee

Chair:

Thomas G. Neill, CPA

Members:

Robert Speicher, CPA

- Request Review Committee

Chair:

Karen R. Saunders, CPA

Members:

Gerald F. Ryles

- State Ethics Compliance Committee

Ethics Advisor:

Lauren C. Jassny

Executive Committee

Emily Rollins reported that she met with the Executive Director and Vice Chair on September 26, 2013. Their discussion included:

- Safe Harbor Language
- Complaints
- Board Staff and Separation of Duties
- Education Courses
- Audit Reports

Report Acceptance Body

Executive Director reported on the Summary of Report Acceptance Body Meeting stating that both Deidre M. Robert and Nina Gerbic were very happy with the results.

Minutes, October 17, 2013, Annual Board Meeting

NASBA Update

Update: Don Aubrey, Pacific Regional Director for the National Association of State Boards of Accountancy (NASBA), provided the Board with an update on NASBA activities including:

- Pending change in the Uniform Accountancy Act's (UAA) model language for the definition of "attest services".
- UAA's discussion on firm mobility.

Don Aubrey states that it is critically important for the Board to send NASBA an opinion statement on the firm mobility issue prior to January 17, 2014.

Discussions center around the implications/impact firm mobility will have on revenue and enforcement.

The Board votes unanimously, with Don Aubrey abstaining, to have the Executive Director draft a letter for the Board's approval advising NASBA more time is needed to analyze and deliberate before an opinion can be formulated on the firm mobility issue.

Executive Committee

Emily Rollins reported on September 26, 2013 Executive Committee conference call.

**Compliance
Assurance Oversight
Committee**

The compliance assurance oversight committee had nothing to report for this meeting.

Legislative Review

The legislative review had nothing to report for this meeting.

**Quality Assurance
Committee**

Tom Neill reported on Peer Review updates.

Tom Neill reported that peer reviewers not receiving payment for services seems to be a growing trend.

The Executive Director suggests the possibility of a rule concerning non-payment for peer review.

Rich Jones, CPA, President and CEO, Washington

Minutes, October 17, 2013, Annual Board Meeting

Society of CPAs (WSCPAs) reported on administrative fees for nonmembers of the AICPA and WSCPAs subject to peer review.

Request Review Committee

Karen Saunders reported during the 3rd quarter 2013, the Executive Director and a Consulting Board Member from the Request Review Committee took the following action:

Firm Names: Approved:

- Simpson and Company
- AuditWerx, LLC
- Nitax Service, Inc.
- Figure
- Skye CPA Services
- Hansen Financial Management
- Bishop French LLC
- Dawson & Co., PS
- EKS&H LLP
- KLJ & Associates, LLP
- Weaver and Tidwell, L.L.P
- Icompass Compliance Solutions LLC
- Skoda Minotti & Company

Professional/Educational Organization - Recognition

Requests: During the 3rd quarter 2013, the Board approved APlusCPE as an educational organization for purposes of obtaining a list of individual CPAs.

Domestic or Foreign Education Credential Evaluation

Services – Applications: During the 3rd quarter 2013, the Board did not receive any requests for recognition of domestic or international education credential evaluation services.

State Ethics Compliance

The State Ethics Compliance had nothing to report for this meeting.

Legal Counsel's Report

Bruce Turcott, the Board's legal counsel, had nothing to report for this meeting.

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Executive Director's Report

Budget Review: The Executive Director provided the Board with an update on the agency's budget.

Results Washington – A Goal Focused, Transparent, Lean State Government: The Executive Director provided an explanation of Results Washington, and the agency's alignment with its purpose.

Agency Database Restructuring Initiative: Investment for IT Database Restructuring in FY 2014 is waiting for OFM approval of additional spending authority to initiate the project.

Staffing: The Executive Director introduced new staff members, Tia Landry and Kirsten Donovan.

Investigation – Complaint Status Report and Investigation Statistics: Charles Satterlund, CPA, Director of Investigations provided the following reports to the Board:

- Complaint Status Report for the period of September 30, 2012 through September 30, 2013.
- Investigations Statistics through September 30, 2013.
- Summary of Dismissed Files, 2013 through October 10, 2013.

Executive and/or Closed Sessions with Legal Counsel

No executive or closed sessions with legal counsel held.

Public Input

During the course of the meeting, the Board heard public input from Rich Jones representing the Washington Society of CPAs (WSCPA), Gene Bell representing the Washington Association of Accountants (WAA), and Gary Smith representing the Independent Business Association.

Adjournment

The Board meeting adjourned at 12:57 p.m.

Authority of the Board:

WAC 4-30-130 provides, in part:

The purpose of the QAR program is to monitor licensees' compliance with audit, compilation, review, and attestation standards.

- **Every firm that is required to participate** in a peer review program shall have a peer review in accordance with the peer review program standards.
- **Firms shall retain all documents relating to peer review reports**, including working papers of the underlying engagement subject to peer review that was reviewed, **until the acceptance of a subsequent peer review by the peer review program or for five years from the date of acceptance of the peer review by the peer review program, whichever is sooner.**
- Any firm that is dropped or terminated by a peer review program for any reason shall have **twenty-one days** to provide written notice to the board of such termination or drop and to request authorization from the board to enroll in another board-approved peer review program.
- **Out-of-state firms** that do not have a physical location in this state, but perform attest or compilation services in this state, and are otherwise qualified for practice privileges under RCW [18.04.195](#) (1)(b) are not required to participate in the board's program if the out-of-state firm participates in a board-approved peer review program or similar program approved or sponsored by another state's board of accountancy.
- **Documents required. A firm that has opted out of participating in the AICPA Facilitated State Board Access (FSBA) program** shall provide to the board copies of the following documents related to the peer review report within 45 days of the date of the report:

- (a) Peer review report issued;
- (b) Firm's letter of response, if any;
- (c) Letter of acceptance from peer review program;
- (d) Recommended action letter from the peer review program, if any;
- (e) A letter from the firm to the board describing corrective actions taken by the firm that relate to recommendations of the peer review program;

- (f) Other information the firm deems important for the board's understanding of the information submitted; and
- (g) Other information the board deems important for the understanding of the information submitted.

- **Extensions.** The board may grant extension of time for submission of the peer review report to the board. Extensions will be determined by the board on a case-by-case basis.

Informal Policy Statement:

Although the Board recognizes that WAC 4-30-130 provides that the specific rating of a peer review report, individually, is not a sufficient basis to warrant disciplinary action the board will take appropriate action to protect the public interest if the board determines that a firm's attest, or compilation engagement performance and/or reporting practices are not in accordance with applicable professional standards and, therefore, the board determines that one or more of the engagements are not, or could be not, in conformity with professional standards.

Proposed Addition to WAC 4-30-130

(Emphasis added)

Timely Corrective Actions required to Protect the Public Interest

The Board has determined that **delays** by firms in implementing corrective actions, not cooperating fully with peer reviewers and/or not complying with peer review program standards, **including failure to timely pay the peer reviewer**, are not in the public interest.

Accordingly, _____

A firm that is informed by the peer reviewer or **team** captain that she/he will be recommending a grade **of fail or pass with deficiencies** in the firm's peer review report must **(a)** advise the board of the recommended grade within **30 days of being so informed**, **(b)** provide the board the required corrective action plan being recommended by the peer reviewer or team captain and **(c)** the planned date (or time period within which) the firm would intend to complete such remedial action or actions.

Notwithstanding any extensions of time by the Peer Review Program Administrator, **failure by the firm to meet its planned schedule for completing its specific corrective action plan** as recommended by the peer review program **and/or timely pay the peer reviewer**, the Board or the Board's designee will protect the public interest by initiating one or more of the Board's remedies including, but not limited to,:

- (a) Require the firm to develop quality control procedures to provide reasonable assurance that similar occurrences will not occur in the future;
- (b) Require any individual licensee who had responsibility for, or who substantially participated in an engagement or engagements in which the performance and/or report(s) **were not in conformity with professional standards**, to successfully complete specific courses or types of continuing education as specified by the board;
- (c) Require that the reviewed firm responsible for the performance and/or report related to one or more compilation or attest engagement(s) **were not in conformity with professional standards** submit all or specified categories of its compilation or attest working papers and reports to a preissuance evaluation performed by a board-approved licensee in a manner and for a duration prescribed by the board. Prior to the firm issuing the reports on the engagements evaluated the board-approved licensee shall submit to the board for board acceptance a report of the findings, including the nature and frequency of recommended actions to the firm. The cost of the board-approved preissuance evaluation will be at the firm's expense;
- (d) Require the reviewed firm to engage a board-approved licensee to conduct a board-prescribed on-site field review of the firm's work product and practices or perform other investigative procedures to **assess the degree or pervasiveness of work product not in conformity with professional standards**. The board-approved licensee engaged by the firm shall submit a report of the findings to the board within thirty days of the completion of the services. The cost of the board-prescribed on-site review or other board-prescribed procedures will be at the firm's expense; or
- (e) Initiate an investigation pursuant to RCW 18.04.295, 18.04.305, and/or 18.04.320.

NOTE:

These remedies are currently listed in WAC 4-30-130(12).



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Moore

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[246-12-050](#) << [246-12-051](#) >> [246-12-060](#)

WAC 246-12-051

[Agency filings affecting this section](#)

How to obtain a temporary practice permit— Military spouse.

A military spouse or state registered domestic partner of a military person may receive a temporary practice permit while completing any specific additional requirements that are not related to training or practice standards for the profession. This section applies to any profession listed in RCW [18.130.040](#) (2)(a).

(1) A temporary practice permit may be issued to an applicant who is a military spouse or state registered domestic partner of a military person and:

(a) Is moving to Washington as a result of the military person's transfer to Washington;

(b) Left employment in another state to accompany the military person to Washington;

(c) Holds an unrestricted, active license in another state that has substantially equivalent licensing standards for the same profession to those in Washington; and

(d) Is not subject to any pending investigation, charges, or disciplinary action by the regulatory body of the other state or states.

(2) A temporary practice permit grants the individual the full scope of practice for the profession.

(3) A temporary practice permit expires when any one of the following occurs:

(a) The license is granted;

(b) A notice of decision on the application is mailed to the applicant, unless the notice of decision on the application specifically extends the duration of the temporary practice permit; or

(c) One hundred eighty days after the temporary practice permit is issued.

(4) To receive a temporary practice permit, the applicant must:

(a) Submit the necessary application, fee(s), fingerprint card if required, and documentation for the license;

(b) Attest on the application that he/she left employment in another state to accompany the military person;

(c) Meet all requirements and qualifications for the license that are specific to the training, education, and practice standards for the profession;

(d) Provide verification of having an active unrestricted license in the same profession from another state that has substantially equivalent licensing standards for the profession in Washington;

(e) Submit a copy of the military person's orders and a copy of:

- (i) The military-issued identification card showing the military person's information and the applicant's relationship to the military person;
- (ii) A marriage license; or
- (iii) A state registered domestic partnership; and
- (f) Submit a written request for a temporary practice permit.
- (5) For the purposes of this section:
 - (a) "Military spouse" means the husband, wife, or registered domestic partner of a military person.
 - (b) "Military person" means a person serving in the United States armed forces, the United States public health service commissioned corps, or the merchant marine of the United States.

[Statutory Authority: RCW 43.70.040, 18.130.040, 1.12.080, and 2011 2nd sp.s. c 5. WSR 12-24-014, § 246-12-051, filed 11/27/12, effective 12/28/12.]

California Board Model

Military Information

Military Waiver

Effective January 1, 2013, if you are called to active duty as a member of the United States Armed Forces or the California National Guard, you may apply to the CBA for a waiver of your renewal fees and CE. In order to qualify for the waiver, you must possess a current and valid license. The waiver of the renewal fees and CE apply only during the period in which you are on active duty service.

During the time period in which the waiver is in effect, you may not engage in the practice of public accountancy, unless the services you provide while on active duty include the practice of public accountancy. If this is the case, the CBA will place your license in a military active status; however, you will not be authorized to provide public accounting services to the general public.

In order to qualify for the waiver of the renewal fees and CE, you must submit, in writing, a request for the waiver to the CBA. With your written request, you must include written documentation that substantiates active duty service, which may include documents such as your Leave and Earnings Statements or military orders. When you apply for the waiver, please notify the CBA whether you plan to practice while you are on active duty in the military.

Your written request for the waiver will also serve as an application for license renewal for those periods during which you are still on active duty. Upon approval of the waiver, the CBA will renew your license until you provide notice of your discharge from active duty, which you must do within 60 days of receiving your discharge notice. During the time in which the waiver is valid, the CBA will change your status to "military."

If after discharge you wish to engage in the practice of public accountancy, within six months of discharge, you must meet the following requirements:

- Complete 80 hours of CE, or as an alternative, you may apply to have your CE extension/exemption as provided for via CBA Regulations
- Pay the required renewal fee of \$120, unless it is 12 months or less to your next license renewal date, in which case the renewal fee is waived

Expedited Licensure for Military Spouses or Partners

Effective January 1, 2013 and pursuant to Section 115.5 of the B&P Code, the CBA will expedite the licensure process for an applicant who meets both of the following requirements:

(1) Supplies evidence satisfactory to the CBA that the applicant is married to, or in a domestic partnership or other legal union with, an active duty member of the Armed Forces of the United States who is assigned to a duty station in this state under official active duty military orders.

(2) Holds a valid license or comparable authority to practice public accounting in another state, district, or territory of the United States.

Applicants requesting expedited licensure under Section 115.5 of the B&P Code must attach to your application a written statement with sufficient evidence such as a copy of the marriage certificate or certified declaration/registration of domestic partnership filed with the Secretary of State AND military orders establishing duty station in California. For other forms of "legal union" not recognized by California, you may submit other documentary evidence of legal union issued by the State that recognizes your legal union for consideration by the CBA in meeting this requirement.

Military Inactive Status

If you are a licensee engaged in active duty as a member of the **California National Guard or the United States Armed Forces**, beginning January 1, 2014, you may apply to have your license placed in, and renewed in, a military inactive status. **This new status will exempt licensees from being subject to continuing education or peer review reporting requirements or paying the biennial renewal fee while their license is in Military Inactive Status.** The regulations necessary to implement this new status are expected to receive approval from the Office of Administrative law by January 1, 2014. For the full text of the proposed regulations for Military Inactive Status, please visit http://www.dca.ca.gov/cba/regulation_notices/top12-11.pdf. More information will be posted here as soon as it available.

Text of the Proposal

Article 2.5 – Retired Status License Status

Section 16 – Military Inactive Status

Beginning January 1, 2014, a licensee engaged in active duty as a member of the California National Guard or the United States Armed Forces may apply to have his or her license placed in, and renewed in, a military inactive status by completing the Application for Military Inactive Status (Form 11R-49 (8/12)), which is hereby incorporated by reference. Along with the Application for Military Inactive Status (Form 11R-49 (8/12)), a licensee shall submit sufficient evidence that he or she is engaged in active duty as a member of the California National Guard or the United States Armed Forces.

Note: Authority cited: Sections 5010 and 5070.2, Business and Professions Code.
Reference: Sections 5070.2 and 5070.5, Business and Professions Code.

Section 16.1 – Definitions

(a) For the purposes of this article and Section 5070.2 of the Business and Professions Code, the following definitions shall apply:

(1) "Sufficient evidence of active duty as a member of the California National Guard or the United States Armed Forces" shall include copies of current Leave and Earnings Statements or military orders.

(2) "Evidence of discharge date" shall mean a completed "Certificate of Release or Discharge from Active Duty" (DD Form 214).

Note: Authority cited: Sections 5010 and 5070.2, Business and Professions Code.
Reference: Section 5070.2, Business and Professions Code.

Section 16.2 – Status Conversion of a License in a Military Inactive Status

(a) The holder of a license in a military inactive status may convert the license to an active status by notifying the Board in writing, providing evidence of discharge date, paying the fee described in subsection (c), complying with the peer review reporting requirements of Section 45(a) by his or her next renewal date, and complying with the continuing education requirements as described in Section 87. A minimum of 20 hours of continuing education shall be completed in the one-year period immediately preceding the date of conversion to active status, 12 hours of which must be in subject areas described in Section 88(a)(1).

(b) The holder of a license in a military inactive status may convert the license to an inactive status by notifying the Board in writing, providing evidence of discharge date, and paying the fee described in subsection (c).

(c) The fee to be paid at status conversion shall be as follows:

(1) For a status conversion requested more than 12 months prior to the renewal date as described in Section 5070.5 of the Business and Professions Code, the fee for conversion shall be the same as the fee described in Section 70(e).

(2) For a status conversion requested 12 months or less prior to the renewal date as described in Section 5070.5 of the Business and Professions Code, the fee for conversion shall be waived.

(d) If the licensee is still engaged in active duty at the time of conversion, sufficient evidence of active duty as a member of the California National Guard or the United States Armed Forces shall be provided in lieu of the evidence of discharge date required in subsection (a) and (b).

Note: Authority cited: Sections 5010 and 5070.2, Business and Professions Code.
Reference: Section 5070.2, Business and Professions Code.

APPLICATION FOR MILITARY INACTIVE STATUS

Please print or type. Applications that are not readable will be returned.

NAME	LICENSE NUMBER	E-MAIL ADDRESS (OPTIONAL)
ADDRESS OF RECORD		BUSINESS PHONE NUMBER
CITY, STATE, ZIP		HOME/CELL PHONE NUMBER

Please be advised of the following requirements for obtaining and maintaining a CPA license in military inactive status:

- A. The holder of a permit may apply to have his or her permit placed in a military inactive status if the holder of a permit is engaged in, and provides sufficient evidence of, active duty as a member of the California National Guard or the United States Armed Forces. Sufficient evidence includes copies of current Leave and Earnings Statements or military orders.
- B. No holder of a permit in a military inactive status shall engage in any activity for which a permit is required.
- C. During the period that a permit is in a military inactive status, no renewal fee is required and no continuing education or peer review requirements would need to be met until status conversion.

Eligibility:

In order for the California Board of Accountancy (CBA) to determine eligibility, please respond to the following:

1. Are you currently engaged in active duty in the United States Armed Forces? ☐ YES ☐ NO

If "yes," please attach copies of current Leave and Earnings Statements or military orders and provide them with your application to the CBA.

2. Are you currently engaged in active duty in the California National Guard? ☐ YES ☐ NO

If "yes," please attach copies of current Leave and Earnings Statements or military orders and provide them with your application to the CBA.

Renewal Statement:

This application for military inactive status also serves as an application for renewal for any renewal dates during which you are still on active duty as a member of the California National Guard or the United States Armed Forces and during which your license is in a military inactive status. Upon approval by the Board of your application, your license will be renewed in military inactive status until you provide notice to the Board of your discharge from active duty. Within one year from your discharge from active duty, you are required to comply with the requirements of Section 16.2, Division 1 of Title 16 of the California Code of Regulations.

I hereby certify, under penalty of perjury under the laws of the State of California, that all statements, answers, and representations on this form are true, complete, and accurate. By signing below, I acknowledge having read this entire application and the requirements listed here for obtaining and maintaining a CPA license in military inactive status.

Signature: _____ Date: _____

PERSONAL INFORMATION COLLECTION NOTICE: The information provided in this form will be used by the California Board of Accountancy, to determine qualifications for a military inactive status. Sections 5009, 5026 through 5029, 5060, 5070 through 5079, and 5150 through 5158 of the Business and Professions Code authorize the collection of this information. Failure to provide any of the required information is grounds for rejection of the form as being incomplete. Information provided may be transferred to the Department of Justice, a District Attorney, a City Attorney, or to another government agency as may be necessary to permit the CBA, or the transferee agency, to perform its statutory or constitutional duties, or otherwise transferred or disclosed as provided in Civil Code Section 1798.24. Each individual has the right to review his or her file, except as otherwise provided by the Information Practices Act. The Executive Officer of the CBA is responsible for maintaining the information in this form, and may be contacted at 2000 Evergreen Street, Suite 250, Sacramento, CA 95815, telephone number (916) 263-3680 regarding questions about this notice or access to records.



Gray, Blodgett & Company, PLLC

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JENNY M. NG, CPA
WILLIAM R. SOUTH, CPA

January 8, 2014

Richard C. Sweeney, CPA, Executive Director
Washington State Board of Accountancy
Olympia, WA 98507-9131

Electronically: ricks@cpaboard.wa.gov

Dear Mr. Sweeney and Washington Board Members:

After careful consideration, I have decided to submit my qualifications to the Nominating Committee of NASBA again this year for the position of Vice Chair.

There are many challenges that Accountancy Boards are faced with and it is my belief that NASBA can provide support and leadership to help solve some of those challenges. I believe that my experience as a NASBA board member, a member of the Oklahoma Accountancy Board (10 years), the managing partner of our public accounting firm and as a leader and member on many volunteer committees has provided me the background that is needed to lead NASBA.

I have attached my bio and will be happy to answer any questions you might have.

Therefore, I am requesting your consideration and support for me as Vice-Chair of NASBA for 2014-2015. If you agree, I would request that you submit a letter of nomination to the NASBA Nominating Committee.

Sincerely,

Janice L. Gray, CPA, CVA, CFF



America Counts on CPAs

MEMBER OF
OKLAHOMA SOCIETY OF CERTIFIED
PUBLIC ACCOUNTANTS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
PRIVATE COMPANIES PRACTICE SECTION

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MEMBER

Sweeney, Richard (ACB)

From: Theodore W. Long Jr.
Sent: Tuesday, January 21, 2014 8:36 AM
To: Sweeney, Richard (ACB)
Subject: NASBA Vice Chair Nomination Support Request
Attachments: Ted Long Ohio NASBA Vice Chair Nomination.pdf

Mr. Richard C. Sweeney, CPA
Executive Director
Washington State Board of Accountancy

Dear Mr. Sweeney

I am writing to you and your Board requesting support of my nomination for the Board of Directors position of Vice Chair of the National Association of State Boards of Accountancy (NASBA) for the 2014-2015 year.

The attached nomination letter and summarized resume distributed on January 6, 2014 from the Accountancy Board of Ohio highlights my leadership experience.

I would appreciate you and your Boards assistance and support of my nomination at your next meeting.

Thank you in advance for your consideration in this process.

Please contact me if you have any questions.

Best wishes...

Attachment:

Sweeney, Richard (ACB)

From: Ken Odòm
Sent: Wednesday, January 08, 2014 6:42 PM
To: Sweeney, Richard (ACB)
Subject: Vice-Chair

Follow Up Flag: Follow up
Flag Status: Flagged

Categories: Red Category

Mr. Sweeney:

I can really use your support this year. Thanks.

Kenneth R. Odom, CPA, CGFM, CGMA

Rabren, Odom, Pierce & Hayes, PC
1600 DR MLKJ Expressway
Andalusia, AL 36420

334-222-4101 Phone
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STATE OF WASHINGTON
BOARD OF ACCOUNTANCY

PO Box 9131 • Olympia, Washington 98507-9131
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The Washington State Board of Accountancy **respectfully opposes** the adoption of the proposed Firm Mobility **language** in the Uniform Accountancy Act (UAA) at this time for the reasons set forth below.

This Board believes the proposed language is not sufficiently comprehensive to address a number of critical issues, such as:

1. The proposal does not provide an Enforcement and Disciplinary Framework for the disciplinary authority of the Board in the “state visited”.
2. The language within Sec. 7(C)(iii) appears to suggest that **responsibility for deficient outcomes and reports rests principally with “practice privilege individuals”** vs. the CPA firm enterprise

Washington State statute RCW 18.04.350, subsections (4)(a) and (10), address these issues:

4)(a)... the firm that employs that licensee (practice privilege individual) simultaneously consents, as a condition of exercising this privilege to the personal and subject matter jurisdiction and disciplinary authority of the (Washington State) board.

(10) For purposes of this section, because individuals practicing using practice privileges under RCW 18.04.350(2) are deemed substantially equivalent to licensees under RCW 18.04.105 and 18.04.215, every word, term, or reference that includes the latter shall be deemed to include the former, provided the conditions of such practice privilege, as set forth in RCW 18.04.350 (4) and (5) are maintained.

The Board suggests any proposed amendment for firm mobility should include a provision reciting the “visited state’s” disciplinary authority over the firm.

3. **Negative impact on Board Revenue**, by jurisdiction, if a “No Notice, No Fee” or “Registration with No Fee” as proposed in the UAA Exposure Draft **restricts a Board’s ability to coordinate with other state agencies** to ensure that mobility firms are compliant with other licenses and registrations under state law, i.e. all state taxes are paid and corporate /partnership registrations are completed;



The Washington State Board believes that the potential for consolidation of Boards may increase if, as a result of decreased revenues or other factors, the home state is unable to effectively investigate and discipline "visiting" firms and firms licensed in the state and/ or meets its other public responsibilities;

The Washington State Board also suggests that a fully vetted and a set of comprehensive analyses of the impacts of UAA language changes (whether or not changes occur) is necessary to promote the likelihood of more uniform adoption of any UAA changes within the multiple jurisdictions.

We would appreciate serious consideration of this input from the Washington State Board of Accountancy.

Respectfully,

Emily Rollins, CPA

Board Chair

Exposure Draft

Uniform Accountancy Act

Seventh Edition
_____, 2013

Firm Mobility Guidance

Published jointly by the
American Institute of Certified Public Accountants
1211 Avenue of the Americas, New York, NY 10036-8775
and
National Association of State Boards of Accountancy
150 4th Avenue, North, Nashville, TN 37219-2417

The base document is the 6th Edition of the UAA (pertinent parts). Changes made per the Attest ED are shown as either single blackline underlined or ~~single blackline strike through~~. Changes made per the firm mobility proposal are shown as either double blackline underlined or ~~double blackline strike through~~. Note: If the firm mobility language resulted in a change to language from the Attest ED, the Attest ED is shown as a ~~double blackline strike through~~.

Comments must be received by January 31, 2014.

Please send your comments to
UAAFirmMobility@aicpa.org and
lhaberman@nasba.org.

EXPOSURE DRAFT OF UNIFORM ACCOUNTANCY ACT

After thorough consideration of the key issues discussed below, leadership of NASBA and AICPA strongly believe, as long as the existing element of public protection is preserved, the time has come to give serious consideration to enact firm mobility, as a logical extension of individual mobility. The necessary changes to the Uniform Accountancy Act reflected in the accompanying Exposure Draft retain the essential ownership, peer review and consent to jurisdiction concepts, and thus the vital element of protection of the public is preserved.

Beginning in 2006, the efforts of NASBA, State Boards of Accountancy, AICPA and state CPA societies resulted in virtually uniform enactment by NASBA's 55 jurisdictions of "no notice, no fee, no escape" practice privileges for qualified ("substantially equivalent") individuals who cross state lines. While there are professional services which the practice privilege individuals can perform without creating a registration requirement for the out-of-state firms that employ them, such firm registration is required if the individuals are performing certain specified attest services.

The essential element of protection of the public interest was carefully considered when the individual practice privilege provision was added to the UAA. The substantial equivalence requirements (education, examination and experience) provide the "host" state with the assurance that the "visiting" individuals are equal to its own state's licensees. The same quality assurance concept exists as to the visiting firms which employ these individuals performing attest services. The firms are required to meet the host state's ownership and peer review requirements. Furthermore, both the individuals and the firms that employ them automatically consent to the jurisdiction and disciplinary authority of the host state's Board of Accountancy. This is critical to effective protection of the public.

The enactment of practice privileges has created a significantly greater similarity in licensure requirements among the vast majority of states. The public has benefited through an enhanced ability to engage the CPA firm/individuals they believe to be most appropriate, without concerning themselves with the various state licensure issues. This conformity has also been very beneficial for both the qualified individuals and their firms, as they can now practice across state lines without dealing with either uncertainty as to their status from state to state or the burden of excess paperwork.

There are currently about 16 states (by statute or practice) that do not specifically require a visiting firm to obtain a permit even when their employed individuals are performing attest services. Considering this factor, in addition to the significant increase in the volume of cross-border practice that has resulted from the virtually complete enactment of individual practice privileges, it is appropriate to consider the issue of whether the various states have experienced a rise in the number of related consumer complaints. In this regard, surveys performed to date clearly indicate that the states are not experiencing increased disciplinary problems attributable to the increase in practice across state lines. In the few instances when such problems have arisen, they have been effectively dealt with by the host state, with additional referral to the Board of Accountancy in the principal place of business state of the visiting licensee. The combination of the attest definition change and the firm mobility proposal presents a logical

extension of substantial equivalence for individuals: if a CPA firm complies with peer review and firm ownership, for all practical purposes it has a gold pass and only has to register in states where it has an office. Furthermore, firms (without in-state offices) can use the CPA title and provide compilations and other nonattest services without a permit so long as they do so through an individual with practice privileges and the firm can lawfully render those services in the principal place of business states of the practice privilege individuals.

Public protection is enhanced because the proposal favors firms that are peer reviewed, avoids the potential ambiguity of the "home office" issue, and extends administrative jurisdiction over any firm offering or rendering services in the state. The greatest protection is simply and logically provided for all attest services including various SSAE services that also require technical competence, independence in mental attitude, due professional care, adequate planning and supervision, sufficient evidence, and appropriate reporting. From the standpoint of both public protection and firm mobility, the CPAs and CPA firms from the 48 states which already require peer review will be able to "move freely about the country..." without obtaining permits in states where they have no office or worrying about whether their client has a "home office" in a particular state.

In conclusion, the digital age continues to generate a significant expansion of the interstate practice of public accountancy. Consequently, it is important to our economy that such practice be encouraged / facilitated in a manner consistent with the protection of all users of the services – i.e., the public. Enactment of this proposal will enable firms that are licensed in at least one state and meet the UAA ownership and peer review requirements to temporarily practice across state lines without a permit. Firms that do not meet such requirements will still have to obtain a permit in the visiting state. Enactment could also have the positive effect of providing strong incentive for those states whose licensure requirements do not conform to those prescribed by the UAA to amend their statutes, in order to enhance protection of the public and create a more efficient pathway to interstate practice for their own licensees. The entire proposal is thus presented in the spirit of providing all stakeholders with a safe and more efficient pathway for the interstate practice of public accountancy.

Stephen S. McConnel
Chair, AICPA UAA Committee

Kenneth R. Odom
Chair, NASBA UAA Committee

NOTE: This proposed language builds upon the current exposure draft revising the definition of "attest." Thus, changes arising solely from the "attest" exposure draft are marked in single underline or single strikethrough, while additional revisions from the new firm mobility language are identified by double underlining and double strikethrough.

Introductory Comments

The Fundamental Principles That Should Govern the Regulation of Certified Public Accountants

Eighth, it is desirable that there be, to the maximum extent feasible, uniformity among jurisdictions with regard to those aspects of the regulatory structure that bear upon the qualifications required of licensees. Because many of the clients or employers of CPAs are multistate enterprises, much of the practice of CPAs has an interstate character; consequently, CPAs must be able to move freely between states. The need for interstate mobility and maintenance of high minimum standards of competence in the public interest requires uniform licensing qualifications, insofar as possible, among the states.

Ninth, and finally, it is essential that mobility for individual CPAs and CPA Firms be enhanced. With respect to the goal of portability of the CPA title and mobility of CPAs across state lines, the cornerstone of the approach recommended by this Act is the standard of "substantial equivalency" set out in Section 23. Under substantial equivalency, a CPA's ability to obtain reciprocity ~~would be~~ is simplified and they ~~would~~ have the right privilege to practice in another state without the need to obtain an additional license in that state unless it is where their principal place of business is located, as determined by the licensee. Individuals ~~would be~~ are not ~~be~~ denied reciprocity or practice ~~rights~~ privileges because of minor or immaterial differences in the requirements for CPA certification from state-to-state. ~~However, individuals with practice privileges who wish to provide certain attest services for a client whose home office is in a state must do so only through a firm with a permit in the practice privilege state.~~

Substantial equivalency is a determination by the Board of Accountancy, or NASBA, that the education, examination and experience requirements contained in the statutes and administrative rules of another jurisdiction are comparable to, or exceed, the education, examination and experience requirements contained in the Uniform Accountancy Act. If the state of licensure does not meet the substantial equivalency standard, individual CPAs may demonstrate that they personally have education, examination and experience qualifications that are comparable to or exceed those in the Uniform Accountancy Act.

For purposes of individual practice rights-privileges, an applicant that has an active certificate as a certified public accountant from any jurisdiction that has obtained from the Board of Accountancy or NASBA a determination of substantial equivalency with the Uniform Accountancy Act's CPA certificate requirements shall be presumed to have qualifications substantially equivalent to this jurisdiction's. Individual CPAs from states that are not substantially equivalent may qualify under the substantial equivalency standard on an individual basis. Any CPA that wants to obtain a reciprocal certificate under substantial equivalency must personally possess qualifications that are substantially equivalent to, or exceed, the CPA licensure provisions in the Uniform Accountancy Act.

47
48 Firm mobility would be enhanced because even though an individual using practice privileges
49 must render attest services through a CPA firm licensed in some state, if the firm complies with
50 the ownership (Section 7(c)) and peer review (Section 7(h)) requirements, the firm would only
51 need a permit in the states in which it has an office, regardless of the type of service or where
52 such service is performed. The ownership and peer review requirements would thus protect the
53 "visiting state" through firm quality standards comparable to substantial equivalency for practice
54 privilege individuals. For purposes of firm mobility, a firm holding a valid permit from a U.S.
55 jurisdiction, complying with the firm ownership and peer review requirements, would be able to
56 perform any professional service (including attest) in any other state so long as it does so through
57 individuals with practice privileges who can lawfully do so in the state where said individuals
58 have their principal place of business. A firm not meeting both the ownership and peer review
59 requirements could provide nonattest services and use the "CPA" title in any other state so long
60 as it does so through individuals with practice privileges, and so long as the firm can lawfully do
61 so in the state where said individuals with practice privileges have their principal place of
62 business. Indeed, a firm complying with Section 7(a)(1)(C) would only have to obtain permits in
63 states where it has offices.

64
65 In the interest of obtaining maximum uniformity and interstate mobility, and assuring that CPAs
66 are subject to only one type of regulatory scheme, the Uniform Act should be the standard of
67 regulation for certificate holders in the U.S. and its jurisdictions. All states and jurisdictions
68 should seek to adopt the Uniform Act to provide uniformity in accountancy regulation.
69 Uniformity will become even more essential in the future as international trade agreements
70 continue to be adopted causing the accounting profession to adopt a global focus.

71
72 *****
73

74 **UAA Section 3**
75 **Definitions**

76
77 When used in this Act, the following terms have the meanings indicated:
78

- 79 (a) "AICPA" means the American Institute of Certified Public Accountants.
80
81 (b) "Attest" means providing the following ~~financial statement services~~:
82
83 (1) any audit or other engagement to be performed in accordance with the
84 Statements on Auditing Standards (SAS);
85
86 (2) any review of a financial statement to be performed in accordance with the
87 Statements on Standards for Accounting and Review Services (SSARS);
88
89 (3) any examination of prospective financial information to be performed in
90 accordance with the Statements on Standards for Attestation Engagements
91 (SSAE); and
92

(4) any engagement to be performed in accordance with the standards of the PCAOB; and

(5) any examination, review, or agreed upon procedures engagement to be performed in accordance with the SSAE, other than an examination described in subsection (3).

The standards specified in this definition shall be adopted by reference by the Board pursuant to rulemaking and shall be those developed for general application by recognized national accountancy organizations, such as the AICPA and the PCAOB.

COMMENT: Subject to the exceptions set out in ~~Section~~ Sections 7, 14, and 23(a)(4), these services are restricted to licensees and CPA firms under the Act, and licensees can only perform the attest services through a CPA firm. Individual licensees may perform the services described in Section 3(f) as employees of firms that do not hold a permit under Section 7 of this Act, so long as they comply with the peer review requirements of Section 6(j). Other ~~attestation~~ professional services are not restricted to licensees or CPA firms; however, when licensees perform those services they are regulated by the state board of accountancy. See also the definition of Report. The definition also includes references to the Public Company Accounting Oversight Board (PCAOB) which make it clear that the PCAOB is a regulatory authority that sets professional standards applicable to engagements within its jurisdiction.

Regarding SSAE engagements, subsections 3(b)(3) and (5) ~~only includes~~ include SSAE engagements pertaining to the examination of prospective financial information, while subsection 3(b)(5) expressly includes as well as other SSAE engagements. Thus, like other services included in this definition of "Attest," they are all restricted to licensees and CPA firms. Although these respective services have been bifurcated in the definition of "Attest," only CPAs can provide the services, and they must do so only through firms that either have a permit or comply with Section 7(a)(1)(C).

~~However, Sections 7, 14 and 23 also mandate that certain types of "Attest" services must be rendered only through licensed CPA Firms. Specifically, Section 7(a)(1)(C) requires licensure of an out-of-state firm even if it does "not have an office in this state but performs attest services described in Section 3(b)(1), (3) or (4) of this Act for a client having its home office in this state."~~

~~By identifying the other SSAE services (that is, other services but not "examinations of prospective financial information") in a different subsection (5), they, along with the services described in subsections 3(b)(2) (reviews of financial statements according to SSARS), are "Attest" services restricted to CPAs, but out-of-state CPA Firms rendering these services do not have to obtain a permit in every state in which they provide that type of Attest service. Hence, although both 3(b)(3) and 3(b)(5) SSAE services are "Attest" services, only those SSAE services included in 3(b)(3) must be rendered through CPA Firms licensed in every state in which the services are provided. The differentiation between these two categories of SSAE services~~

~~therefore reduces the burden of multistate licensure and enhances mobility for individual licensees as well as CPA Firms.~~

~~This definition of "attest" includes both examinations of prospective financial information to be performed in accordance with the Statements on Standards for Attestation Engagements (SSAE) as well as "any examination, review, or agreed upon procedures engagement, to be performed in accordance with SSAE."~~

~~(h) "Home office" is the location specified by the client as the address to which a service described in Section 23(a)(4) is directed.~~

~~Comment: Under this provision, as a practical matter, a firm must have a permit in the state specified by the client for Section 23(a)(4) services. Thus, for example, the client may specify that a Section 23(a)(4) service for a subpart or subsidiary of an entity be directed to the location of that subpart or subsidiary. It should also be remembered that, regardless of whether or not the firm has a permit in that state, under Section 23(a)(3), a state board has administrative jurisdiction over individual licensees as well as firms offering or rendering professional services in that state. It should also be noted that other terms such as "headquarters" and "principal place of business" were not used because of extant uses of both terms that might be confusing or defeat the purpose of the mobility revisions.~~

~~(ih) "License" means a certificate issued under Section 6 of this Act, a permit issued under Section 7 or a registration under Section 8; or, in each case, a certificate or permit issued under corresponding provisions of prior law.~~

~~COMMENT: See commentary to section Section 3(ji) below.~~

~~(ji) "Licensee" means the holder of a license as defined in Section 3(j-h).~~

~~COMMENT: This term is intended simply to allow for briefer references in provisions that apply to holders of certificates, holders of permits and holders of registrations. See section Section 4(h), regarding rules to be promulgated by the Board of Accountancy; section Section 5(b), regarding the meaning of "good moral character" in relation to the professional responsibility of a licensee; Sections 11(c) and (d), regarding Board investigations; Sections 12(a)-(c), (i), and (k), relating to hearings by the Board; section Section 18, relating to confidential communications; and Sections 19(a) and (b), regarding licensees' working papers and clients' records. Pursuant to Section 14(p), individuals and firms using practice privileges in this State are treated as "Licensees" for purposes of other requirements and restrictions in Section 14.~~

~~(r) "Report," when used with reference to financial statements any attest or~~

179 compilation service, means an opinion, report, or other form of language that states
180 or implies assurance as to the reliability of ~~any~~ the attested information or compiled
181 financial statements and that also includes or is accompanied by any statement or
182 implication that the person or firm issuing it has special knowledge or competence
183 in accounting or auditing. Such a statement or implication of special knowledge or
184 competence may arise from use by the issuer of the report of names or titles
185 indicating that the person or firm is an accountant or auditor, or from the language
186 of the report itself. The term "report" includes any form of language which
187 disclaims an opinion when such form of language is conventionally understood to
188 imply any positive assurance as to the reliability of the attested information or
189 compiled financial statements referred to and/or special competence on the part of
190 the person or firm issuing such language; and it includes any other form of language
191 that is conventionally understood to imply such assurance and/or such special
192 knowledge or competence.

193
194
195 *COMMENT:* As has been explained in the introductory comments, the audit function, which this
196 term is intended to define, is the principal kind of professional accounting service for which a
197 license would be required under the Uniform Act. The term has its most important operative use
198 in ~~section~~ Section 14(a) of the Act, which prohibits persons not licensed from performing that
199 function as well as any attest or compilation services as defined above.

200
201 It is a point of fundamental significance that the audit function is defined, not in terms of the
202 work actually done, but rather in terms of the issuance of an opinion or a report--that is, the
203 making of assertions, explicit or implied--about work that has been done. It is such reports, or
204 assertions, upon which persons using ~~financial statements~~ attested information (whether clients
205 or third parties) rely, reliance being invited by the assertion, whether explicit or by implication,
206 of expertise on the part of the person or firm issuing the opinion or report. Thus, this definition is
207 sought to be drawn broadly enough to encompass all those cases where either the language of the
208 report itself, or other language accompanying the report, carries both a positive assurance
209 regarding the reliability of the ~~financial~~ information in question, and an implication (which may
210 be drawn from the language of the report itself) that the person or firm issuing the report has
211 special competence which gives substance to the assurance.

212
213 The definition includes disclaimers of opinion when they are phrased in a fashion which is
214 conventionally understood as implying some positive assurance because authoritative accounting
215 literature contemplates several circumstances in which a disclaimer of opinion in standard form
216 implies just such assurances. The same reasoning that makes it appropriate to include
217 disclaimers of opinion in conventional form within the definition of this term makes it
218 appropriate to apply the prohibition on the issuance by unlicensed persons of reports, as so
219 defined, on "reviews" and "compilations" and other communications with respect to
220 "compilations" within the meaning of the AICPA's Statements on Standards for Accounting and
221 Review Services (SSARS), when the language in which the report or other compilation
222 communication is phrased is that prescribed by SSARS or any report that is prescribed by the
223 AICPA's Statements on Standards for Attestation Engagements (SSAE). This is done in ~~section~~
224 Section 14(a). These prohibitions, again, do not apply to the services actually performed--which

is to say that there is no prohibition on the performance by unlicensed persons of either reviews or compilations, in the sense contemplated by SSARS, but only on the issuance of reports or other compilation communications asserting or implying that their author has complied or will comply with the SSARS standards for such reviews and compilations and has the demonstrated capabilities so to comply.

SECTION 7

FIRM PERMITS TO PRACTICE, ATTEST AND COMPILATION COMPETENCY, AND PEER REVIEW

(a) The Board shall grant or renew permits to practice as a CPA firm to applicants that demonstrate their qualifications therefor in accordance with this Section.

(1) The following must hold a permit issued under this Section:

(A) Any firm with an office in this state performing attest services as defined in Section 3(b) of this Act; or

(B) Any firm with an office in this state that uses the title "CPA" or "CPA firm"; or

(C) Any firm that does not have an office in this state but ~~performs offers or renders~~ attest services as described in subsections Section 3(b)(2), 3(b)(5) or 3(f) of this Act for a client having its home office in this state, unless it meets each of the ~~A firm which does not have an office in this state may perform services described in subsections 3(b)(2) or 3(f) for a client having its home office in this state and may use the title "CPA" or "CPA firm" without a permit issued under this Section only if: following requirements:~~

~~(A)~~ it has(i) it complies with the qualifications described in Section 7(c);

(ii) it complies with the qualifications described in subsections 7(c) [ownership] and Section 7(h) [peer review], and;

~~(B)~~ it iii) it performs such services through an individual with practice privileges under Section 23 of the this Act; and

(iv) it can lawfully do so in the state where said individuals with practice privileges have their principal place of business.

~~(2) A firm which does not have an office in this state may perform services described in subsections 3(b)(2) or 3(f) for a client having its home office in this state and may use the title "CPA" or "CPA firm" without a permit issued under this Section only if:~~

~~(A) it has the qualifications described in subsections 7(c) [ownership] and 7(h) [peer review], and~~

~~(B) it performs such services through an individual with practice privileges under Section 23 of the Act.~~

- (2) ~~(3)~~ A firm which is not subject to the requirements of Section 7(a)(1)(C) or 7(a)(2) may perform services described in Section 3(f) and other nonattest professional services while using the title "CPA" or "CPA firm" in this state without a permit issued under this Section only if:

(A) it performs such services through an individual with practice privileges under Section 23 of the Act; and

(B) it can lawfully do so in the state where said individuals with practice privileges have their principal place of business.

COMMENT: This Uniform Act departs from the pattern of some accountancy laws now in effect in eliminating any separate requirement for the registration of firms and of offices. The information gathering and other functions accomplished by such registration should be equally easily accomplished as part of the process of issuing firm permits under this section. The difference is, again, one of form more than of substance but one that should be kept in mind if consideration is given to fitting the permit provisions of this Uniform Act into an existing law.

As pointed out in the comment following ~~section~~ Section 3(g), above, because a CPA firm is defined to include a sole proprietorship, the permits contemplated by this section would be required of sole practitioners as well as larger practice entities. To avoid unnecessary duplication of paperwork, a Board could, if it deemed appropriate, offer a joint application form for certificates and sole practitioner firm permits.

This provision also makes it clear that firms with an office in this state may not provide attest services as defined, or call themselves CPA firms without a license in this state. Certified Public Accountants are not required to offer services to the public, other than attest services, through a CPA firm. CPAs may offer non-attest services through any type of entity they choose, and there are no requirements in terms of a certain percentage of CPA ownership for these types of entities as long as they do not call themselves a "CPA firm" or use the term "CPA" in association with the entity's name. These non-CPA firms are not required to be licensed by the State Board.

Out-of-state firms without an office in this state may provide ~~attest~~ services other than those described in ~~Section 23(a)(4)~~ Section 3(b) for a client ~~which has its home office~~ in this state and call themselves CPA firms in this state without having a permit from this state, so long as they do so through a licensee or individual with practice privileges, and so long as they are qualified to do so under the requirements of Section 7(a)(2). ~~Depending on the services provided, and In~~

317 addition, if the firm calls itself a CPA firm, such a firm is subject is exempt from the permit
318 requirement pursuant to the requirements described in revised subsection 7(a)(2)(A) or
319 subsection 7(a)(3)(B), whichever is applicable. Section 7(a)(1)(C), no permit is required
320 regardless of the type of attest services or where the services are performed.
321

322 A firm that does not comply with ownership (Section 7(c)) and peer review (Section 7(h))
323 requirements must obtain a permit in a state before offering or rendering any attest service in that
324 state.
325

- 326 (b) Permits shall be initially issued and renewed for periods of not more than three
327 years but in any event expiring on [specified date] following issuance or renewal.
328 Applications for permits shall be made in such form, and in the case of applications
329 for renewal, between such dates as the Board may by rule specify, and the Board
330 shall grant or deny any such application no later than _____ days after the
331 application is filed in proper form. In any case where the applicant seeks the
332 opportunity to show that issuance or renewal of a permit was mistakenly denied or
333 where the Board is not able to determine whether it should be granted or denied, the
334 Board may issue to the applicant a provisional permit, which shall expire ninety
335 days after its issuance or when the Board determines whether or not to issue or
336 renew the permit for which application was made, whichever shall first occur.
337

338 *COMMENT:* See the comment following ~~section~~ Section 6(b) regarding the renewal period.
339
340

- 341 (c) An applicant for initial issuance or renewal of a permit to practice under this
342 Section shall be required to show that:
343

- 344 (1) Notwithstanding any other provision of law, a simple majority of the
345 ownership of the firm, in terms of financial interests and voting rights of all
346 partners, officers, shareholders, members or managers, belongs to holders of
347 a certificate who are licensed in some state, and such partners, officers,
348 shareholders, members or managers, whose principal place of business is in
349 this state, and who perform professional services in this state hold a valid
350 certificate issued under Section 6 of this Act or the corresponding provision
351 of prior law or are public accountants registered under Section 8 of this Act.
352 Although firms may include non-licensee owners, the firm and its ownership
353 must comply with rules promulgated by the Board. For firms of public
354 accountants, at least a simple majority of the ownership of the firm, in terms
355 of financial interests and voting rights, must belong to holders of
356 registrations under Section 8 of this Act. An individual who has practice
357 privileges under Section 23 who performs services for which a firm permit is
358 required under Section 23(a)(4) shall not be required to obtain a certificate
359 from this state pursuant to Section 6 of this Act.
360
361

362 *COMMENT:* The limitation of the requirement of certificates to partners, officers, shareholders,

members and managers who have their principal place of business in the state is intended to allow some latitude for occasional visits and limited assignments within the state of firm personnel who are based elsewhere. If those out-of-state individuals qualify for practice privileges under Section 23 and do not have their principal places of business in this state, they do not have to be licensed in this state. In addition, the requirement allows for non-licensee ownership of licensed firms.

(2) Any CPA or PA firm as defined in this Act may include non-licensee owners provided that:

(A) The firm designates a licensee of this state, or in the case of a firm which must have a permit pursuant to Section 23(a)(4) a licensee of another state who meets the requirements set out in Section 23(a)(1) or in Section 23(a)(2), who is responsible for the proper registration of the firm and identifies that individual to the Board.

(B) All non-licensee owners are of good moral character and active individual participants in the CPA or PA firm or affiliated entities.

(C) The firm complies with such other requirements as the ~~board~~ Board may impose by rule.

(3) Any individual licensee and any individual granted practice privileges under this Act who is responsible for supervising attest or compilation services and signs or authorizes someone to sign the accountant's report ~~on the financial statements on behalf of the firm~~, shall meet the competency requirements set out in the professional standards for such services.

(4) Any individual licensee and any individual granted practice privileges under this Act who signs or authorizes someone to sign the accountants' report ~~on the financial statements on behalf of the firm~~ shall meet the competency requirement of the prior subsection.

COMMENT: Because of the greater sensitivity of attest and compilation services, professional standards should set out an appropriate competency requirement for those who supervise them and sign attest or compilation reports. However, the accountant's report in such engagements may be supervised, or signed, or the signature authorized for the CPA firm by a practice privileged individual.

SECTION 14 UNLAWFUL ACTS

(a) Only licensees and individuals who have practice privileges under Section 23 of this Act may issue a report on financial statements of any person, firm, organization, or

governmental unit or offer to render or render any attest or compilation service, as defined herein. This restriction does not prohibit any act of a public official or public employee in the performance of that person's duties as such; or prohibit the performance by any non-licensee of other services involving the use of accounting skills, including the preparation of tax returns, management advisory services, and the preparation of financial statements without the issuance of reports thereon. Non-licensees may prepare financial statements and issue non-attest transmittals or information thereon which do not purport to be in compliance with the Statements on Standards for Accounting and Review Services (SSARS).

COMMENT: This provision, giving application to the definition of attest in Section 3(b) and report in ~~section~~ Section 3(sr) above, is the cornerstone prohibition of the Uniform Act, reserving the performance of those professional services calling upon the highest degree of professional skill and having greatest consequence for persons using ~~financial statements attested information~~—namely, the audit function and other attest and compilation services as defined herein -- to licensees. It is so drafted as to make as clear and emphatic as possible the limited nature of this exclusively reserved function and the rights of unlicensed persons to perform all other functions. ~~This wording addresses concerns that this exemption could otherwise, by negative implication, allow non-licensees to prepare any report on a financial statement other than a SSARS i.e., other attestation standards.~~ Consistent with Section 23, individuals with practice privileges may render these reserved professional services to the same extent as licensees in this state.

This provision is also intended to extend the reservation of the audit function to other services that also call for special skills and carry particular consequence for users of such other services ~~of financial statements attest information~~ albeit in each respect to a lesser degree than the audit function—~~namely~~. Thus, reserved services include the performance of compilations and reviews of financial statements, in accordance with the AICPA's Statements on Standards for Accounting and Review Services, which set out the standards to be met in a compilation or review and specify the form of communication to management or report to be issued, ~~and~~ Also reserved to licensees are attestation engagements performed in accordance with Statements on Standards for Attestation Engagements which set forth the standards to be met and the reporting on the engagements enumerated in the SSAEs. The subsection is intended to prevent issuance by non-licensees of reports or communication to management using that standard language or language deceptively similar to it. Safe harbor language which may be used by non-licensees is set out in Model Rule 14-2.

(b) Licensees and individuals who have practice privileges under Section 23 of this Act performing attest or compilation services must provide those services in accordance with applicable professional standards.

(c) No person not holding a valid certificate or a practice privilege pursuant to Section 23 of this Act shall use or assume the title "certified public accountant," or the abbreviation "CPA" or any other title, designation, words, letters, abbreviation, sign, card, or device tending to indicate that such person is a certified public accountant.

COMMENT: This subsection prohibits the use by persons not holding certificates, or practice privileges, of the two titles, "certified public accountant" and "CPA," that are specifically and inextricably tied to the granting of a certificate as certified public accountant under section Section 6.

- (d) No firm shall provide attest services or assume or use the title "certified public accountants," or the abbreviation "CPAs," or any other title, designation, words, letters, abbreviation, sign, card, or device tending to indicate that such firm is a CPA firm unless (1) the firm holds a valid permit issued under Section 7 of this Act, and (2) ownership of the firm is in accord with this Act and rules promulgated by the Board.

COMMENT: Like the preceding subsection, this one restricts use of the two titles "certified public accountants" and "CPAs," but in this instance by firms, requiring the holding of a firm permit to practice unless they qualify for exemption as explained in Section 14(p). It also restricts unlicensed firms from providing attest services.

- (e) No person shall assume or use the title "public accountant," or the abbreviation "PA," or any other title, designation, words, letters, abbreviation, sign, card, or device tending to indicate that such person is a public accountant unless that person holds a valid registration issued under Section 8 of this Act.

COMMENT: This subsection, and the one that follows, reserve the title "public accountant" and its abbreviation in the same fashion as subsections (c) and (d) do for the title "certified public accountant" and its abbreviation. The two provisions would of course only be required in a jurisdiction where there were grandfathered public accountants as contemplated by section Section 8.

- (f) No firm not holding a valid permit issued under Section 7 of this Act shall provide attest services or assume or use the title "public accountant," the abbreviation "PA," or any other title, designation, words, letters, abbreviation, sign, card, or device tending to indicate that such firm is composed of public accountants.

COMMENT: See the comments following subsections (d) and (e).

- (g) No person or firm not holding a valid certificate, permit or registration issued under Sections 6, 7, or 8 of this Act, shall assume or use the title "certified accountant," "chartered accountant," "enrolled accountant," "licensed accountant," "registered accountant," "accredited accountant," or any other title or designation likely to be confused with the titles "certified public accountant" or "public accountant," or use any of the abbreviations "CA," "LA," "RA," "AA," or similar abbreviation likely to be confused with the abbreviations "CPA" or "PA." The title "Enrolled Agent" or "EA" may only be used by individuals so designated by the Internal Revenue Service.

499
500 *COMMENT:* This provision is intended to supplement the prohibitions of subsections (c)
501 through (f) on use of titles by prohibiting other titles that may be misleadingly similar to the titles
502 specifically reserved to licensees or that otherwise suggest that their holders are licensed.
503

504 (h)(1) Non-licensees may not use language in any statement relating to the ~~financial~~ affairs
505 of a person or entity which is conventionally used by licensees in reports on financial
506 statements or any attest service as defined herein. In this regard, the Board shall
507 issue safe harbor language non-licensees may use in connection with such financial
508 information.
509

510 (2) No person or firm not holding a valid certificate, permit or registration issued under
511 Sections 6, 7, or 8 of this Act shall assume or use any title or designation that
512 includes the words "accountant," "auditor," or "accounting," in connection with
513 any other language (including the language of a report) that implies that such
514 person or firm holds such a certificate, permit, or registration or has special
515 competence as an accountant or auditor, provided, however, that this subsection
516 does not prohibit any officer, partner, member, manager or employee of any firm or
517 organization from affixing that person's own signature to any statement in
518 reference to the financial affairs of such firm or organization with any wording
519 designating the position, title, or office that the person holds therein nor prohibit
520 any act of a public official or employee in the performance of the person's duties as
521 such.
522

523 *COMMENT:* This provision clarifies the language and titles that are prohibited for non-
524 licensees. Like the preceding subsection, subsection (h)(2) of this provision is intended to
525 supplement the prohibitions of subsections (c) through (f), by prohibiting other titles which may
526 be misleadingly similar to the specifically reserved titles or that otherwise suggest licensure. In
527 the interest of making the prohibition against the issuance by unlicensed persons of reports on
528 audits, reviews, and compilations and reports issued under the SSAE as tight and difficult to
529 evade as possible, there is also some overlap between this provision and the prohibitions in
530 subsection (a). Safe harbor language is set out in Rule 14-2.
531

532 (i) No person holding a certificate or registration or firm holding a permit under this
533 Act shall use a professional or firm name or designation that is misleading about the
534 legal form of the firm, or about the persons who are partners, officers, members,
535 managers or shareholders of the firm, or about any other matter, provided,
536 however, that names of one or more former partners, members, managers or
537 shareholders may be included in the name of a firm or its successor. A common
538 brand name, including common initials, used by a CPA Firm in its name, is not
539 misleading if said firm is a Network Firm as defined in the AICPA Code of
540 Professional Conduct ("Code") in effect July 1, 2011 and, when offering or
541 rendering services that require independence under AICPA standards, said firm
542 must comply with the Code's applicable standards on independence.
543

544 *COMMENT:* With regard to use of a common brand name or common initials by a Network

Firm, this language should be considered in conjunction with Rules 14-1(c) and (d), which provide further clarity and guidance.

- (j) None of the foregoing provisions of this Section shall have any application to a person or firm holding a certification, designation, degree, or license granted in a foreign country entitling the holder thereof to engage in the practice of public accountancy or its equivalent in such country, whose activities in this State are limited to the provision of professional services to persons or firms who are residents of, governments of, or business entities of the country in which the person holds such entitlement, who performs no attest or compilation services as defined in this Act and who issues no reports as defined in this Act with respect to ~~the financial statements~~ information of any other persons, firms, or governmental units in this State, and who does not use in this State any title or designation other than the one under which the person practices in such country, followed by a translation of such title or designation into the English language, if it is in a different language, and by the name of such country.

COMMENT: The right spelled out in this provision, of foreign licensees to provide services in the state to foreign-based clients, looking to the issuance of reports only in foreign countries, is essentially what foreign licensees have a right to do under most laws now in effect, simply because no provision in those laws restricts such a right. The foreign titles used by foreign licensees might otherwise run afoul of standard prohibitions with respect to titles (such as one on titles misleadingly similar to "CPA"), but this provision would grant a dispensation not found in most laws now in force.

- (k) No holder of a certificate issued under Section 6 of this Act or a registration issued under Section 8 of this Act shall perform attest services through any business form that does not hold a valid permit issued under Section 7 of this Act.

COMMENT: See the comments following Sections 6(a), 7(a), and 8.

- (l) No individual licensee shall issue a report in standard form upon a compilation of financial information through any form of business that does not hold a valid permit issued under Section 7 of this Act unless the report discloses the name of the business through which the individual is issuing the report, and the individual:

- (1) signs the compilation report identifying the individual as a CPA or PA,
- (2) meets the competency requirement provided in applicable standards, and
- (3) undergoes no less frequently than once every three years, a peer review conducted in such manner as the Board shall by rule specify, and such review shall include verification that such individual has met the competency requirements set out in professional standards for such services.

- (m) Nothing herein shall prohibit a practicing attorney or firm of attorneys from

591 preparing or presenting records or documents customarily prepared by an attorney
592 or firm of attorneys in connection with the attorney's professional work in the
593 practice of law.
594

595 (n)(1) A licensee shall not for a commission recommend or refer to a client any product or
596 service, or for a commission recommend or refer any product or service to be
597 supplied by a client, or receive a commission, when the licensee also performs for
598 that client,
599

600 (A) an audit or review of a financial statement; or
601

602 (B) a compilation of a financial statement when the licensee expects, or
603 reasonably might expect, that a third party will use the financial statement
604 and the licensee's compilation report does not disclose a lack of
605 independence; or
606

607 (C) an examination of prospective financial information
608

609 This prohibition applies during the period in which the licensee is engaged to perform
610 any of the services listed above and the period covered by any historical financial
611 statements involved in such listed services.

612 (2) A licensee who is not prohibited by this section from performing services for or
613 receiving a commission and who is paid or expects to be paid a commission shall
614 disclose that fact to any person or entity to whom the licensee recommends or refers
615 a product or service to which the commission relates.
616

617 (3) Any licensee who accepts a referral fee for recommending or referring any service
618 of a licensee to any person or entity or who pays a referral fee to obtain a client shall
619 disclose such acceptance or payment to the client.
620

621 (o)(1) A licensee shall not:
622

623 (A) perform for a contingent fee any professional services for, or receive such a
624 fee from a client for whom the licensee or the licensee's firm performs,
625

626 (i) an audit or review of a financial statement; or
627

628 (ii) a compilation of a financial statement when the licensee expects, or
629 reasonably might expect, that a third party will use the financial
630 statement and the licensee's compilation report does not disclose a
631 lack of independence; or
632

633 (iii) an examination of prospective financial information.; or
634

635 (B) Prepare an original or amended tax return or claim for a tax refund for a

contingent fee for any client.

(2) The prohibition in (1) above applies during the period in which the licensee is engaged to perform any of the services listed above and the period covered by any historical financial statements involved in any such listed services.

(3) Except as stated in the next sentence, a contingent fee is a fee established for the performance of any service pursuant to an arrangement in which no fee will be charged unless a specified finding or result is attained, or in which the amount of the fee is otherwise dependent upon the finding or result of such service. Solely for purposes of this section, fees are not regarded as being contingent if fixed by courts or other public authorities, or, in tax matters, if determined based on the results of judicial proceedings or the findings of governmental agencies. A licensee's fees may vary depending, for example, on the complexity of services rendered.

COMMENT: Section 14(n) on commissions is based on Rule 503 of the AICPA Code of Professional Conduct. Section 14(o) on contingent fees is based on Rule 302 of the AICPA Code of Professional Conduct.

(p) Notwithstanding anything to the contrary in this Section, it shall not be a violation of this Section for a firm which does not hold a valid permit under Section 7 of this Act and which does not have an office in this state to use the title "CPA" or "Certified Public Accountants" as a part of the firm's name and to provide its professional services in this state, and licensees and individuals with practice privileges may provide services on behalf of such firms so long as if the firm complies with the requirements of Section 7(a)(1)(C) or Section 7(a)(2) or 7(a)(3), whichever is applicable. An individual or firm authorized under this provision to use practice privileges in this state shall comply with the requirements otherwise applicable to licensees in Section 14 of this Act.

COMMENT: Section 14(p) has been added along with revisions to Sections 23 and 7, to provide that as long as an out-of-state firm complies with the requirements of ~~new~~ Section 7(a)(21)(C) or 7(a)(32), whichever is applicable, it can do so through practice privileged individuals without a CPA firm permit from this state. The addition of the last sentence of this Section 14(p) makes certain other provisions of Section 14 that otherwise pertain only to "licensees" (specifically, Sections 14 (h), (k), (l), (n), and (o)) directly applicable to individuals and firms which are exempt from licensing or permit requirements in this state.

SECTION 23 SUBSTANTIAL EQUIVALENCY

(a) (4) An individual who has been granted practice privileges under this section who, ~~for any entity with its home office in this state,~~ performs any of the following services;

~~(A) any financial statement audit or other engagement to be performed in accordance with Statements on Auditing Standards;~~

~~(B) any examination of prospective financial information to be performed in accordance with Statements on Standards for Attestation Engagements; or~~

~~(C) any engagement to be performed in accordance with PCAOB auditing standards;~~

May attest service described in Section 3(b) may only do so through a firm which meets the requirements of Section 7(a)(1)(C) or which has obtained a permit issued under Section 7 of this Act.

COMMENT: Subsection 23(a)(3) is intended to allow state boards to discipline licensees from other states that practice in their state. If an individual licensee is using these practice privileges to offer or render professional services in this state on behalf of a firm, Section 23(a)(3) also facilitates state board jurisdiction over the firm as well as the individual licensee even if the firm is not required to obtain a permit in this state. Under Section 23(a), State Boards could utilize the NASBA National Qualification Appraisal Service for determining whether another state's certification criteria are "substantially equivalent" to the national standard outlined in the AICPA/NASBA Uniform Accountancy Act. If a state is determined to be "substantially equivalent," then individuals from that state would have ease of practice ~~rights-privileges~~ in other states. Individuals who personally meet the substantial equivalency standard may also apply to the National Qualification Appraisal Service if the state in which they are licensed is not substantially equivalent to the UAA.

Individual CPAs who practice across state lines or who service clients in another state via electronic technology would not be required to obtain a reciprocal certificate or license if their state of original certification is deemed substantially equivalent, or if they are individually deemed substantially equivalent. However, licensure is required in the state where the CPA has their principal place of business. If a CPA relocates to another state and establishes their principal place of business in that state or if a firm performs any of the services described in Section 23(a)(4) and does not qualify for exemption under Section 7(a)(1)(C), then they would be required to obtain a license certificate in that state. ~~As a result of the elimination of any notification requirement combined with the automatic jurisdiction over any firm that has employees utilizing practice privileges in the state, former subsections 7(i) and 7(j) have been deleted.~~

~~Unlike prior versions of this Section, the revised~~ The provision provides that practice privileges shall be granted and that there shall be no notification. With the strong ~~addition of a stronger~~ Consent requirement (subsection 23(a)(3)), (i) there appears to be no need for individual

notification_ since the nature of an enforcement complaint would in any event require the identification of the CPA, (ii) online licensee databases have greatly improved, and (iii) both the individual CPA practicing on the basis of substantial equivalency as well as the individual's employer will be subject to enforcement action in any state under Section 23(a)(3) regardless of a notification requirement.

Implementation of the "substantial equivalency" standard and creation of the National Qualification Appraisal Service have made a significant improvement in the current regulatory system and assist in accomplishing the goal of portability of the CPA title and mobility of CPAs across state lines.

Section 23(a)(4) clarifies situations in which the individual could be required to provide services through a CPA firm holding a permit issued by the state in which the individual is using practice privileges in providing attest services.

Section 23(a)(4) in conjunction with companion revisions to Sections 3, 7 and 14, ~~still provide that an enhanced firm mobility by allowing the individual with to use practice privileges cannot do the following as an employee of in providing attest services through a firm unless the firm holds with a CPA firm permit from this any state:~~

- ~~perform an examination of prospective financial information in accordance so long as the firm complies with SSAE for any entity with its home the ownership and peer review requirements. Such firms would only need to obtain permits from states in which they have an office. in this state~~

~~perform an engagement. The types of attest services and where the services are performed would not matter. Any firm that does not satisfy both requirements (ownership and peer review) would have to obtain a permit in accordance with PCAOB standards for any entity with its home office the state in this state which the firm is providing attest services.~~

- ~~perform an audit or other engagement in accordance with SAS for any entity with its home office in this state~~

In order to be deemed substantially equivalent under Section 23(a)(1), a state must adopt the 150-hour education requirement established in Section 5(c)(2). A few states have not yet implemented the education provision. In order to allow a reasonable transition period, Section 23(a)(2) provides that an individual who has passed the Uniform CPA examination and holds an active license from a state that is not yet substantially equivalent may be individually exempt from the 150-hour education requirement and may be allowed to use practice privileges in this state if the individual was licensed prior to January 1, 2012.

Section 23(a)(3)(D) simplifies state board enforcement against out-of-state persons using practice privileges by requiring consent to appointment of the state board of the person's principal place of business for service of process. This important provision facilitates the prerogative of the state board to administratively discipline or revoke the practice privilege. This provision supplements Section 9, which provides for the appointment of the Secretary of State as the agent upon whom process may be served in any action or proceeding against the applicant arising out of any transaction or operation connected with or incidental to services performed by the applicant while a licensee within this State.

2013 CPE Audit

- The 2013 CPE Audit concluded on December 30, 2013
- 106 Individuals were selected for the Audit
 - 94 Passed
 - 2 Were excluded due to back to back extension request for extreme medical conditions
 - 4 Failed to complete 120 hours of CPE
 - 5 Failed to respond to the request for audit
 - 1 Passed away between the time of renewal and audit

.....

- 98 Licensees
 - 89 Passed
 - 9 Failed
 - 5 For failure to respond
 - 1 For failure to complete Washington Ethics
 - 3 For failures resulting from request for PLR
 - 1 was short ethics
 - 2 were short more than 17 hours
- 8 Certificate holders
 - 8 Passed
 - 0 Failed

• POPULATION

○ 2008 - 952	<ul style="list-style-type: none"> ▪ Certificateholders 16 ▪ Licensees 931 ▪ NL Firm Owner 5
○ 2009 - 5536	<ul style="list-style-type: none"> ▪ Certificateholders 855 ▪ Licensees 4679 ▪ NL Firm Owner 2
○ 2010 - 5332	<ul style="list-style-type: none"> ▪ Certificateholders 698 ▪ Licensees 4629 ▪ NL Firm Owner 5
○ 2011 - 1466	<ul style="list-style-type: none"> ▪ Certificateholders 21 ▪ Licensees 1380 ▪ NL Firm Owner 4
○ 2012 - 5095	<ul style="list-style-type: none"> ▪ Certificateholders 535 ▪ Licensees 4558 ▪ NL Firm Owner 2
○ 2013 - 5628	<ul style="list-style-type: none"> ▪ Certificateholders 567 ▪ Licensees 5061 ▪ NL Firm Owner 5

• PULLED FOR AUDIT

○ 2008 - 167 -17.5%	<ul style="list-style-type: none"> ▪ Certificateholders 6-38% ▪ Licensees 161-17% ▪ NL Firm Owner 0-00%
○ 2009 - 153 - 2.7%	<ul style="list-style-type: none"> ▪ Certificateholders 14-2.0% ▪ Licensees 139-3.0% ▪ NL Firm Owner 0-00%
○ 2010 - 190 - 3.5%	<ul style="list-style-type: none"> ▪ Certificateholders 43-6.0% ▪ Licensees 147-3.0% ▪ NL Firm Owner 0-00%
○ 2011 - 127 - 8.6%	<ul style="list-style-type: none"> ▪ Certificateholders 3-1.4% ▪ Licensees 124-9.0% ▪ NL Firm Owner N/A
○ 2012 - 125 -2.5%	<ul style="list-style-type: none"> ▪ Certificateholders 3-1.4% ▪ Licensees 124-9.0% ▪ NL Firm Owner N/A
○ 2013 - 106 -1.8%	<ul style="list-style-type: none"> ▪ Certificateholders 8-1.4% ▪ Licensees 98-1.9% ▪ NL Firm Owner N/A

• RESULTS

○ 2008	<ul style="list-style-type: none"> ▪ Passed 131-79% ▪ Failed-Enforcement 12-07% ▪ Failed-Admin notice 24-14%
○ 2009	<ul style="list-style-type: none"> ▪ Passed 136-89% ▪ Failed-Enforcement 8-05% ▪ Failed-Admin notice 9-06%
○ 2010	<ul style="list-style-type: none"> ▪ Passed 180-95% ▪ Failed-Enforcement 10-05% ▪ Failed-Admin notice 0-00%
○ 2011	<ul style="list-style-type: none"> ▪ Passed 119-94% ▪ Failed-Enforcement 8-06%
○ 2012	<ul style="list-style-type: none"> ▪ Passed 119-95% ▪ Failed-Enforcement 6-05%
○ 2013	<ul style="list-style-type: none"> ▪ Passed 98-91% ▪ Failed-Enforcement 8-05% ▪ Other 3-01%

Request Review Committee Report January 31, 2014

Karen Saunders, CPA, Chair

During the fourth quarter 2013, the Executive Director and a Consulting Board Member from the Request Review Committee took the following action:

Firm Names - Approved:

K & J Accounting
Schwartz, Giannini, Lantsberger &
Adamson
Yeadon & Co. CPAs, LLC
New Wave Financial Services, Inc
Meyer & Company CPAs PS
Berman & Company, P.A.
Bong Hillberg Lewis Fischesser LLP
Cynthia S. Dyck, CPA, MBA
Teuscher Ruf & Walpole LLC
Olympus Accounting Services LLC
Tombari Port Advisors, PLLC
Holthouse Carlin & Van Trigt LLP

Account Sense PLLC
Kobori Tax & Accounting, PLLC
Sarna & Company, Certified Public
Accountants
Joseph Albert Lichtman Jr CPA A
California Professional Corporation
Olympic Tax And Business Consulting,
LLC
Advocate Accounting, LLC
Pyramid Financial + Tax, PLLC
Myers and Stauffer LC
The Rieke Irwin Group, PS Inc

Professional/Educational Organization – Recognition Requests – During the 4th quarter 2013, the Board did not receive any requests for recognition as an educational organization for purposes of obtaining a list of individual CPAs.

Domestic or International Education Credential Evaluation Services – Applications – During the 4th quarter 2013, the Board did not receive any requests for recognition of domestic or international education credential evaluation services.

CPE Extension Requests

CPE Extension Requests were received between 11/01/2013 and 12/31/2013.

A Total of 28 Requests were Received

- 6 requests were for hours 16 or under-
 - 6 requests were approved
- 22 were for hours 17 or over
 - 15 requests were approved
 - 2 requests were withdrawn due to completion of hours prior to 12/31/13
 - 5 request were denied and set to the pre-lapsed status for reinstatement

Investigation Statistics

Historical data: January 2003 through December 31, 2013

Year Opened	Number of credentialed persons (at year end)		Number of Cases		% opened / Licensees
	Licensees	Certificate Holders	Opened	Closed	
2003	9,418	4,948	83	62	0.88%
2004	10,382	3,107	144	92	1.39%
2005	10,909	3,055	83	85	0.76%
2006	11,217	2,474	131	64 *	1.17%
2007	11,552	2,114	143	176 *	1.24%
2008	12,282	2,102	90	99 **	0.73%
2009	12,654	1,848	130	76 **	1.03%
2010	13,104	1,555	99	182 **	0.76%
2011	13,874	1,573	82	133 **	0.59%
2012	14,403	1,343	64	75	0.44%
2013	15,150	1,265	42	43	0.28%
Total	15,150	1,265	1,091	1,087	7.20%
Average	12,268	2,221	99	99	0.81%

As of December 31, 2013

Active Cases	14 (open cases actively worked by Enforcement)
Pending Cases	15 (cases awaiting action/otherwise moved forward)
Total Open Cases	29

* Clean up backlog (new Executive Director)

** Interrupted by significant public records requests and litigation

Washington State Board of Accountancy

Complaint Status Report	3/31/2013	6/30/2013	9/30/2013	12/31/2013
Intake				
Complaints Received	32	30	20	27
Complaints Dismissed	(4)	(18)	(25)	(20)
Transferred to Investigative Monitoring	(0)	(0)	(8)	(0)
Moved to Investigation	(22)	(10)	(7)	(3)
Total Complaints Under Evaluation	38	40	20	24

Investigation - Developing and Developed Cases				
Cases in Development	26	19	14	14
Cases Awaiting Action	0	5	4	2
Developed Cases Moved Forward	9	14	17	13
Total Developing and Developed Cases	35	38	35	29

Total Complaints Under Evaluation/Development	73	78	55	53
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Investigative Monitoring				
Added - Cases			1	2
Added - Complaints			8	0
Added - Other			1	0
Monitoring Completed			0	1
Items in Monitoring	0	0	10	11

Aging of All Developing and Developed Cases				
> 4 Years	3	3	3	3
> 3 Years, <= 4 Years	1	1	1	0
> 2 years, <= 3 years	1	2	5	6
> 1 year, <= 2 years	6	7	6	6
< 1 year, > 180 days	4	8	11	11
<= 180 days	20	17	9	3
Total Developing and Developed Cases	35	38	35	29

Washington State Board of Accountancy

Complaint Status Report (continued)	3/31/2013	6/30/2013	9/30/2013	12/31/2013
Classification of All Developing and Developed Cases				
Public Harm				
Negligent Performance of Attest	6	2	2	2
Negligence, Incompetence, Disregard	18	26	24	18
Use of Restricted Titles	5	3	1	2
Borrowing, Theft, Embezzlement, Breach of Fiduciary Duty	3	3	3	2
Breach of Confidentiality	0	0	0	0
Records Retention Causing Harm	2	4	4	4
Subtotal	34	38	34	28
Administrative				
QAR	0	0	0	0
CPE under 16 hours	0	0	0	0
CPE over 16 hours	0	0	0	
Good Character Evaluation	1	0	1	1
Subtotal	1	0	1	1
Total	35	38	35	29

Investigations Closed - Disposition By				
Board Order/Agreed Order				
Revocation -- Public Harm	0	0	1	0
Suspension -- Public Harm	2	0	0	0
Suspension -- Other	1	0	0	0
Practice Restriction -- Public Harm	0	0	0	0
SAO -- Fine/costs/other sanctions -- Public Harm	1	0	3	5
SAO -- Fine/costs/other sanctions	3	0	1	0
Subtotal	7	0	5	5
Administrative Sanctions	0	0	0	1
Reinstatements	1	0	0	0
Dismissals -- Public Harm	3	5	7	3
Dismissals	3	2	0	0
Subtotal	7	7	7	4
Total	14	7	12	9
Avg days to complete investigation (cases closed since 12/31/12)	84	81	79	74
Avg days to complete investigation (cases closed in given quarter)	84	75	75	59
Avg age of cases closed (cases closed in a given quarter)	319	218	233	302

based upon available data; avg investigation days = date from open - date of complete investigation